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GILL INTERPROVINCIAL LINES LTD. ANNUAL REPORT 1966

contents

GILL INTERPROVINCIAL LINES LTD. BURNABY, BRITISH COLUMBIA

THE ON-TIME LINE

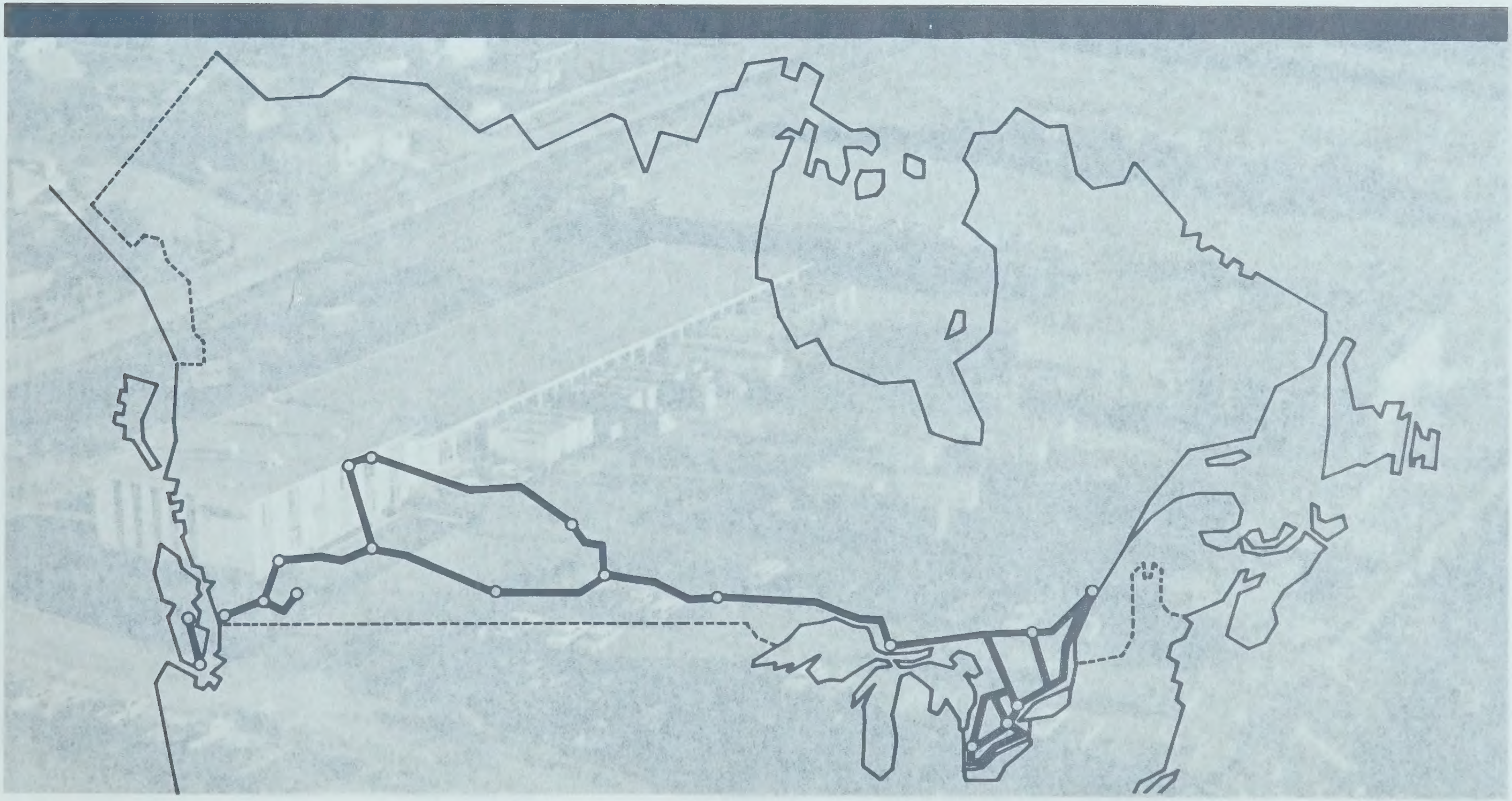
G·I·L·L

head offices and terminal, burnaby

The fully equipped Burnaby terminal, opened in September 1965 and doubled in capacity in 1966, is the most modern in Western Canada. Situated on eleven acres, it is in the centre of Greater Vancouver's new industrial area, adjacent to 401 Freeway. In this aerial picture the company's Head Office is on the left, the maintenance area and garages, top right.

Gill has plans for further expansion of its terminal facilities in 1967. Work will start this spring on a 10-acre terminal in Toronto, scheduled to commence operations in August. In addition, Gill has terminals in five other major cities across Canada.

Gill's authorized routes (shown on the overlay) cover a total of 2,966 miles in the transcontinental West to East route plus approximately 5,430 miles of scheduled domestic feeder and branch lines. Interconnecting lines extend service to all major Pacific and Atlantic seaboard cities in the U.S.A.



contents

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to our shareholders

The three most important aspects of 1966 for Gill were: new highs both for revenue and net income: purchase and integration of the operations of Pacific Inland Express Ltd., and continued expansion and improvement of line-haul and terminal facilities.

Revenue for the year was $8,723,936, and net income reached $519,818, equal to $1.15 per share. Dividend payments during 1966 amounted to 30c per share including the special dividend in the amount of five cents per share declared in December. It is especially gratifying to your Directors that these results are extremely close to the forecasts of 1966 business prepared during 1965. The accuracy with which the Company is able to forecast future volumes and types of activity have a substantial bearing on earnings.

OPERATIONS
During 1966 some 223,000,000 lbs. of freight was handled compared with 110,916,468 lbs. in 1965. Mileage travelled rose to 13,200,000 from 7,805,699 for the same period. Average load/mile ratio rose from 14.2 lbs, to 16.9 lbs. indicating superior use of potential capacity. I am pleased to be able to add that we maintained our record in keeping local delivery costs under control.

TERMINALS
At the Company's Burnaby, B.C., terminal the expansion of the dock and yards and the additional employee facilities were completed during the year. The terminal covers some 11 acres and is possibly the most modern in Canada. The Company has also entered into an agreement to lease a new 10 acre terminal in Toronto which will contain offices and dock. Construction will commence in April 1967, with occupancy tentatively scheduled for August 1, 1967.

EQUIPMENT AND STAFF
During the year the Company's fleet of trailers was increased by 20 to a total of 403; its diesel tractors by seven to a total of 47. Local delivery units in use increased to 99, staff increased to 375 compared with 219 in 1966, chiefly because of the integration of Pacific Inland Express staff.

Arrangements have now been completed for the purchase of 40 diesel line-haul units which will replace the Company's leased tractors, thus affecting further economies of operation. We are also making arrangements for the acquisition of an additional 50 line-haul trailers. This transaction will involve a capital expenditure of more than $1,000,000 during 1967.

The delivery of this new equipment will enable us to offer further improved services and facilitate handling of the increased volume of business projected for 1967 while sustaining the high levels of operating efficiency established during 1965 and 1966.

1967 ACTIVITY

On the basis of current operations we anticipate a substantial increase in freight revenue for 1967, and are projecting a corresponding improvement in net income.

Economic conditions generally continue to be buoyant, and the anticipated growth of the Port of Vancouver, together with continued development in British Columbia, should assure us of steady progress in the year ahead. Further expansion of facilities in central and eastern Canada also appears warranted.

EQUIPMENT AND STAFF

We shall continue to emphasize service as the basis of our growth, and shall concentrate on improvements in efficiency of operations as a counter to rising costs.

In reviewing such a successful year we are again reminded of the importance of people in a service-oriented organization. We rely on all our staff — including the management executive, office organization, terminal and line-haul personnel — to continue their loyal and devoted labours on behalf of the Company, so that its progress will continue through the forthcoming year.

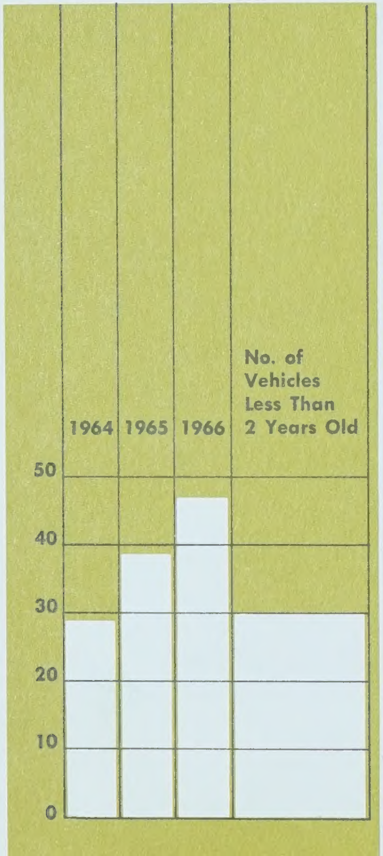
ON BEHALF OF THE BOARD OF DIRECTORS:

Harold Freeman

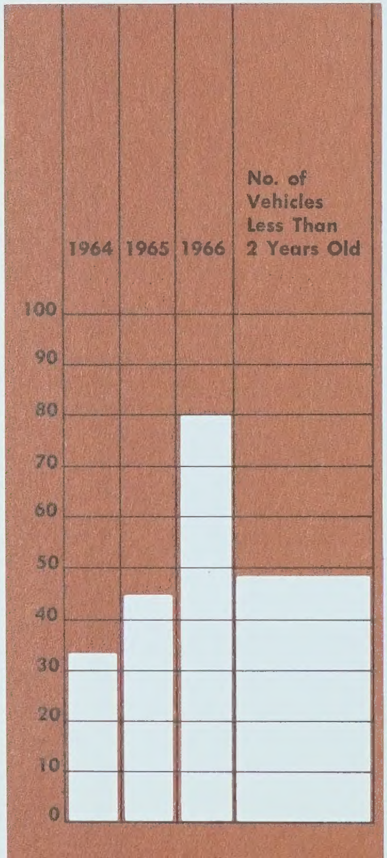
HAROLD FREEMAN,
President.

April, 1967

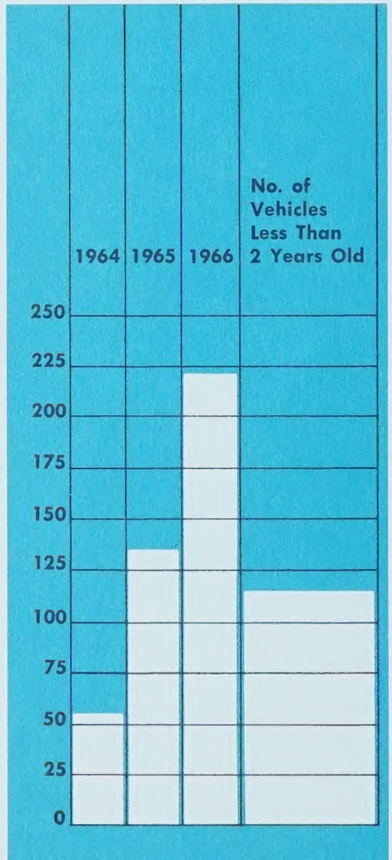
LINE-HAUL TRACTORS



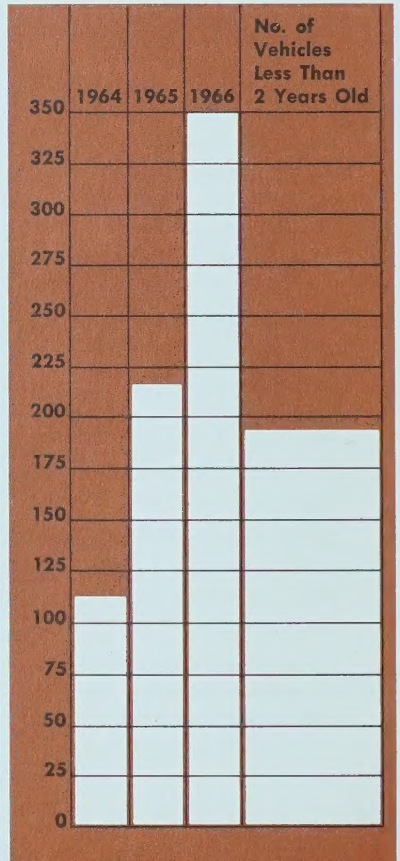
NO. OF PICK UP UNITS



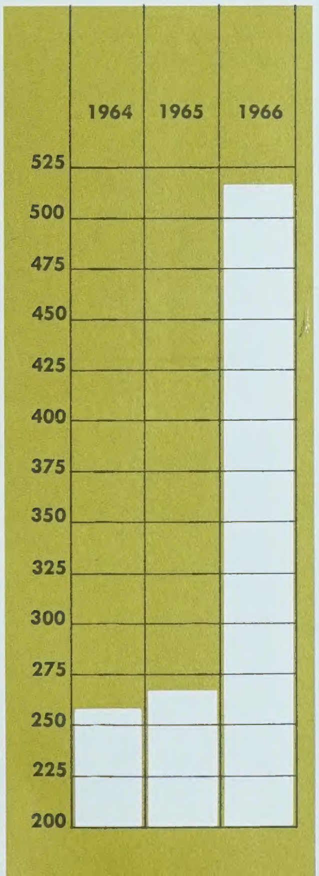
LINE-HAUL TRAILERS



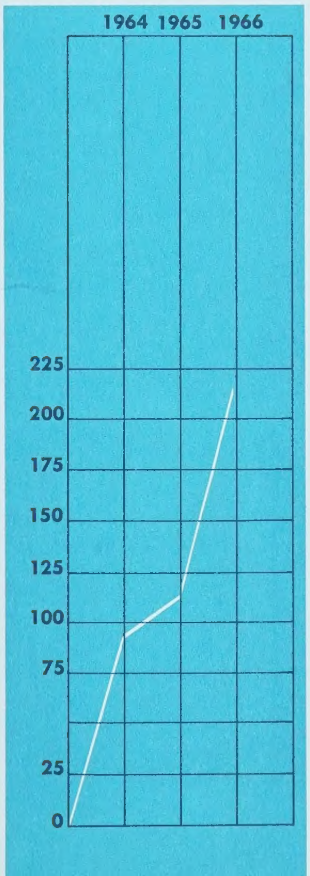
TOTAL ROLLING STOCK



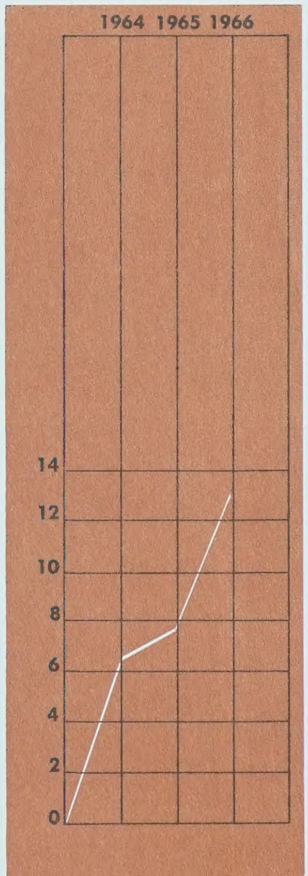
NET PROFIT
(transferred to
earned surplus)



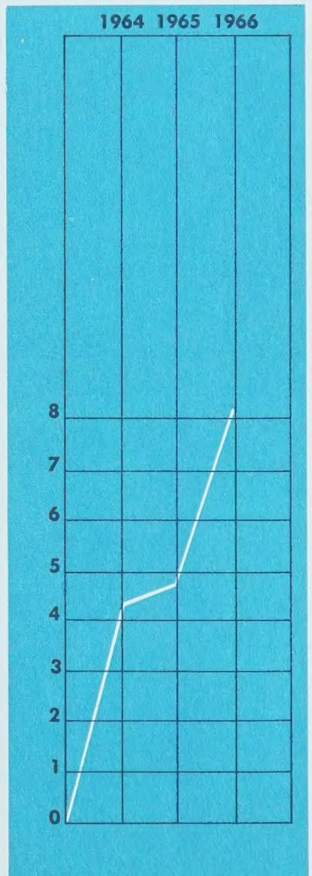
TONNAGE
CARRIED
(millions of lbs.)



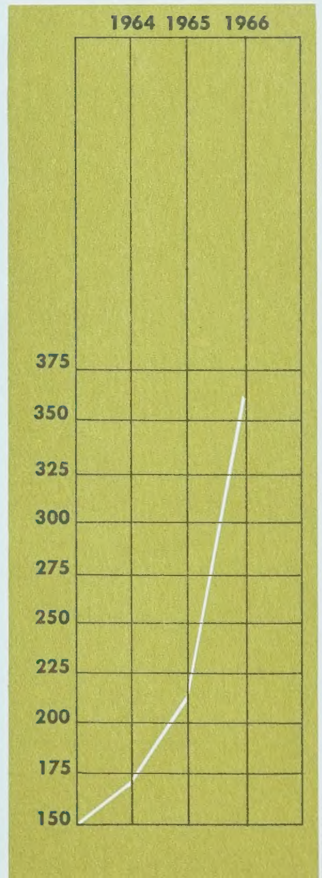
MILEAGE
TRAVELLED
(millions of miles)



FREIGHT
REVENUE
(millions of dollars)



FULL TIME
EMPLOYEES



management

It is the company's policy to maintain youth within its senior managerial ranks. The thirteen key members of Gill's management staff range in age from 28 to 53 years, with an average of 40 years of age. They have a total of 221 years experience in the transportation field.

1. *JAMES S. McDUFF*
Vice-President and General Manager.
Age 53, has had 30 years diversified experience in transportation.

2. *GARY W. McINTOSH*
Assistant General Manager.
28 years of age and has 10 years experience.

3. *ROBERT W. PRESTON*
Comptroller.
46 — has had 20 years in the field.

4. *W. N. (BILL) FERRIER*
General Sales Manager.
40 years of age with 20 years transport experience.

5. *JOHN K. SHAW*
Traffic Manager.
28 years of age, ten of them in transport.

6. *EDWIN D. SCHULZ*
Transportation Manager.
Age 46 — a total of 21 years in the field.

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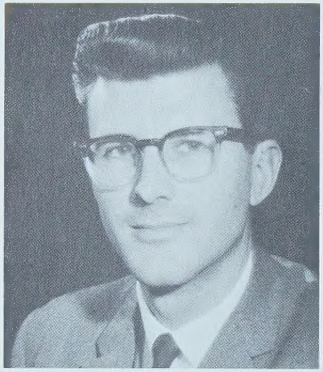

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terminal managers

7. JACK SPIBEY
Branch Manager, Vancouver Terminal.
48 years of age, 28 years experience.

8. DOUGLAS GRANT
Branch Manager, Toronto Terminal.
Age 36, with 14 years in the field.

9. ROGER MONGEAU
Branch Manager, Montreal Terminal.
45, with 14 years transport experience.

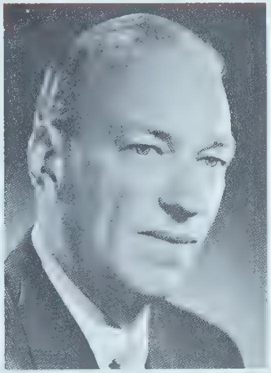
10. JOHN FILIPCHUK
Branch Manager, Ottawa Terminal.
35 years of age, 11 years in transportation.

11. E. W. (BERT) WIEBE
Branch Manager, Calgary Terminal.
Is 36, has eight years experience.

12. A. J. (FRED) DEMEULE
Branch Manager, Winnipeg Terminal.
Age 37, with 17 years in the transportation field.

13. R. M. (DICK) CHERRY
Branch Manager, Edmonton Terminal.
Age 42, with 12 years in the field.


7.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consolidated balance sheet

as at 31st December, 1966
(with comparative figures for 1965)

ASSETS		1966	1965
Current			
Cash on hand and at banks		$ 183,329	$ 256,941
Accounts receivable — less allowance for doubtful accounts		983,735	1,211,254
Refundable deposits		32,537	32,683
Sinking fund deposit		—	2,900
Prepaid expenses — tires, parts, licences, etc.		110,780	71,227
		$1,310,381	$1,575,005
Refundable income taxes		15,671	—
Fixed assets — at cost			
Line haul, terminal and office equipment	$2,123,596		$1,153,877
Land and building	22,000		—
	$2,145,596		$1,153,877
Deduct: accumulated depreciation	629,428		329,798
		1,516,168	$ 824,079
Deferred Charges		7,993	$ 31,546
Franchises, operating rights, and goodwill — at cost — Note 5		839,521	34,208
		$3,689,734	$2,464,838

LIABILITIES		1966	1965
Current			
Bank loan and uncashed cheques		—	$ 278,434
Accrued payrolls		$ 163,692	92,956
Accounts payable and accrued charges		657,445	397,492
Estimated corporation income taxes		152,002	167,987
Long-term liabilities and sinking fund payments due within one year		280,355	179,817
		$1,253,494	$1,116,686
Long-term liabilities			
6¾% convertible sinking fund debentures			
Series A — maturing 15th November, 1974 — Note 2	$ 300,000		
Less: converted into common shares	225,700		
	$ 74,300		$ 285,900
Equipment liens payable	1,064,130		693,996
Note — 7% repayable at $50,000 per annum	150,000		—
	$1,288,430		$ 979,896
Deduct: current amounts shown above	280,355		179,817
		1,008,075	$ 800,079
Accumulated tax reductions applicable to future years — Note 1		44,341	$ 83,880
Total liabilities		$2,305,910	$2,000,645
Shareholders' equity			
Capital stock — Note 3			
Authorized 1,000,000 common shares without nominal or par value			
Issued and fully paid 451,136 shares (328,820 - 1965)		$ 565,655	$ 206,754
Surplus			
Earned surplus	$ 648,666		$ 249,339
Surplus arising out of revaluation of fixed assets — less amounts realized to date	161,403		—
Paid-in-surplus	8,100		8,100
		818,169	$ 257,439
		$1,383,824	$ 464,193
		$3,689,734	$2,464,838

The notes to the balance sheet are an integral part of this statement.

Approved on behalf of the Board:
HAROLD FREEMAN, *Director*
MORLEY KOFFMAN, *Director*

notes to the consolidated balance sheet

as at 31st December, 1966

Note 1 — Income taxes
Accumulated tax reduction applicable to future years $44,341 is provided in respect of the parent company. This reflects the accumulated tax saving effected by claiming capital cost allowances for income tax purposes in excess of depreciation recorded in the accounts. In 1966 depreciation recorded exceeded capital cost allowances by $78,138 resulting in a reduction in this account of $39,539.

The subsidiary company, Pacific Inland Express Ltd. has available $621,756 of capital cost allowances for income tax purposes in excess of the book value of depreciable assets.

Note 2 —
6¾% Convertible Sinking Fund Debentures Series A are subject to a trust indenture dated 15th November, 1964 which provides, among other things, that the debentures are:

a) secured by a floating charge on the assets of the company.

b) redeemable under certain conditions from time to time at a premium varying from 6% to nil.

c) convertible at the holders' option on the following basis:

On or before 15th November, 1966 —— $5.00 per common share

Thereafter and on or before:

15th November, 1968 —— $6.00 per common share
15th November, 1970 —— $7.00 per common share
15th November, 1972 —— $8.00 per common share
15th November, 1974 —— $9.00 per common share

Sinking fund requirements have been met to and including 1972. Balance of sinking fund requirements is $29,300 on 15th November, 1973.

Note 3 — Share capital
Authorized capital was increased during the year by 500,000 shares to 1,000,000 common shares without nominal or par value.

During the year shares were issued as follows:

42,316 issued on conversion of 6¾% convertible sinking fund debentures with an attributed value of $198,901.
80,000 issued in part consideration for shares in Pacific Inland Express Ltd. with an attributed value of $160,000.

12,383 unissued common shares are reserved for possible issuance upon conversion of 6¾% convertible sinking fund debentures.

Options have been granted to certain officers and employees of the company for the issue of common shares as follows:

40,000 shares at a consideration of $6.25 per share exercisable at any time up to 31st October, 1974.
12,500 shares at a consideration of $6.00 per share exercisable at any time up to 1st January, 1972.

Note 4 — Commitments
The company as lessee with respect to its terminals has contractual obligations expiring at varying times to 1985. Payments under these leases will amount to $96,931 per annum for the next four years.

Note 5 — Operating rights and franchises
An increase of $804,175 in the cost of operating rights and franchises includes the excess of the cost of the shares in the subsidiary company over their net book value.

consolidated earned surplus statement

for the year ended 31st December, 1966
(with comparative figures for 1965)

	1966	1965
Balance at beginning of the year	$ 249,339	$ 66,359
Add: net earnings for the year	519,818	264,843
	$ 769,157	$ 331,202
Deduct: dividends paid — 30c per common share	120,491	81,863
Balance at end of the year	$ 648,666	$ 249,339

consolidated operating statement

for the year ended 31st December, 1966
(with comparative figures for 1965)

	1966	1965
Freight revenue	$8,723,936	$4,771,081
Operating expenses		
Transportation	$4,612,852	$2,673,752
Terminal	1,931,853	885,579
Insurance and safety	311,885	108,816
Sales and traffic	327,718	198,347
Administrative (1966 directors' fees and remuneration $64,196)	614,979	288,721
Interest, finance charges and sundry (interest on long-term debt $55,454)	164,001	83,688
	$7,963,288	$4,238,903
	$ 760,648	$ 532,178
Add: realization of evaluation surplus	2,459	—
Net profit before provision for income taxes	$ 763,107	$ 532,178
Deduct: provision for income taxes	243,289	267,335
Consolidated net profit for the year — transferred to earned surplus	$ 519,818	$ 264,843
Earnings per share	$ 1.15	$ .81

Note: Net profit for the year includes an amount of $141,450 representing a saving of income tax effected by the claiming of capital cost for income tax purposes in excess of depreciation recorded in the accounts of the subsidiary company.

Note: Depreciation included in above figures amounts to $293,111.

auditors' report

To the Shareholders,

Gill Interprovincial Lines Ltd.

Vancouver, B.C.

We have examined the consolidated balance sheet of Gill Interprovincial Lines Ltd. and its wholly owned subsidiary as at 31st December, 1966, and the consolidated earned surplus and consolidated operating statements for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet, together with the notes thereto, and the consolidated earned surplus and consolidated operating statements, present fairly the financial position of the companies as at 31st December, 1966, and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C. FREDERICK GRAHAM & CO.
15 March, 1967 *Chartered Accountants.*

advantages of twin-trailer transports

Pioneers in Canada in the use of twin-trailer highway transports, Gill now operates these units on a trans-Canada basis. Despatch of loads is controlled by tele-type with regular reports coming into Gill's Head Office, which is able at any time to report on the location and schedule of any shipment in the country.

The great advantage of the twin-trailer units is that they can be split up on arrival at their destination and the cargoes delivered to separate consignees. This cuts out unnecessary unloading and re-loading, which simplifies and speeds delivery, reduces loss and damage. The method also makes for greater operational flexibility.

In the series below, picture 1 shows a double trailer unit leaving Montreal.

On arrival in Vancouver the highway tractor and trailer units are uncoupled (picture 2). City tractors take over the load, one proceeding directly with the first trailer to the consignee's receiving area for unloading (pictures 3 and 4), while the other trailer is taken to the second consignee. By using 24-foot instead of 40-foot trailer units greater maneuverability is achieved in even the most congested streets (picture 5) where large transports might be barred from entering. Under such conditions larger units are forced to discharge their cargoes first at terminal, prior to re-loading on city delivery trucks for final transference to consignees.

2.

directors & officers

DIRECTORS

ESMOND LANDO, Q.C., President, British Pacific Life Insurance Co. Ltd., Vancouver, B.C.

HAROLD FREEMAN, Partner, Freeman, Freeman, Silvers & Koffman, Barristers, Vancouver, B.C.

MORLEY KOFFMAN, Partner, Freeman, Freeman, Silvers & Koffman, Barristers, Vancouver, B.C.

LARKHAM COLLINS, Partner, Collins & Collins, Chartered Accountants, Vancouver, B.C.

FREDERICK RUSSELL, President, Yorkshire Securities Ltd., Vancouver, B.C.

JAMES McDUFF, General Manager, Gill Interprovincial Lines Ltd., North Vancouver, B.C.

IRVING GOULD, Financial Consultant, Toronto, Ontario

N. L. SANDLER, President, N. L. Sandler Co. Ltd., Toronto, Ontario

OFFICERS

HAROLD FREEMAN, President

JAMES McDUFF, Vice-President and General Manager

MORLEY KOFFMAN, Secretary-Treasurer

AUDITORS

FREDERICK GRAHAM & COMPANY, Vancouver, B.C.

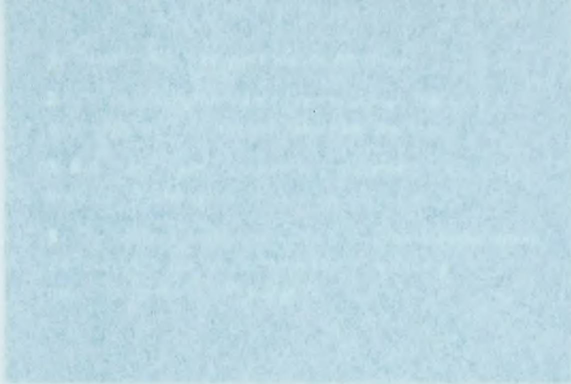
SOLICITORS

FREEMAN, FREEMAN, SILVERS & KOFFMAN, Vancouver, B.C.

TRANSFER AGENTS & REGISTRAR

EASTERN & CHARTERED TRUST COMPANY, Vancouver and Toronto

Shares listed on the Vancouver Stock Exchange.



our organization

[illegible] GENERAL OFFICE
[illegible] Street,
Burnaby [illegible], B.C.
[illegible]

VANCOUVER TERMINAL
[illegible] Street,
Burnaby 2, B.C.
[illegible]

TORONTO TERMINAL
[illegible] Road,
Malton, Ontario
677-4220

MONTREAL TERMINAL
7403 Newman Boulevard,
LaSalle, Quebec
365-2110

OTTAWA TERMINAL
[illegible] Avenue,
Ottawa, Ontario
[illegible]

CALGARY TERMINAL
4111 Portland Street,
Calgary, Alberta
273-4961

WINNIPEG TERMINAL
344 Dawson Road,
St. Boniface, Manitoba
233-7117

EDMONTON TERMINAL
P.O. Box 6088,
Station "C",
Edmonton, Alberta
479-5122

REGINA AGENCY POINT
1340 St. John Street,
Regina, Saskatchewan
568-2711

1. Twin-trailer transport leaves Montreal.

2. On arrival at the Vancouver terminal, the unit is uncoupled. City tractors take over the load.

3. & 4. One trailer is taken to consignee's receiving area for discharging.

5. The second trailer proceeds to a different consignee; 24-foot units can be maneuvered in even the most congested city streets.

our organization

VANCOUVER GENERAL OFFICE
4878 Manor Street,
Burnaby 2, B.C.
299-9333

VANCOUVER TERMINAL
4878 Manor Street,
Burnaby 2, B.C.
299-9333

TORONTO TERMINAL
Indian Line Road,
Malton, Ontario
677-4220

MONTREAL TERMINAL
7403 Newman Boulevard,
LaSalle, Quebec
365-2110

OTTAWA TERMINAL
Queensdale Avenue,
Ottawa, Ontario
822-2590

CALGARY TERMINAL
4111 Portland Street,
Calgary, Alberta
273-4961

WINNIPEG TERMINAL
344 Dawson Road,
St. Boniface, Manitoba
233-7117

EDMONTON TERMINAL
P.O. Box 6088,
Station "C",
Edmonton, Alberta
479-5122

REGINA AGENCY POINT
1340 St. John Street,
Regina, Saskatchewan
568-2711

Lithographed in Canada by